

**KB** 建滔化工集團有限公司

KINGBOARD CHEMICAL HOLDINGS LIMITED

Stock Code: 148

INTERIM REPORT

2017



## INTERIM RESULTS

The board of directors (the “Board”) of Kingboard Chemical Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

### Condensed Consolidated Statement of Profit or Loss

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	18,665,562	18,320,841
Cost of sales and services rendered		(14,187,713)	(14,726,243)
Gross profit		4,477,849	3,594,598
Other income, gains and losses	5	200,999	208,988
Distribution costs		(519,576)	(489,534)
Administrative expenses		(840,869)	(838,051)
Gain on disposal of available-for-sale investments		246,220	113,027
Share-based payments		(3,136)	(13,513)
Impairment loss recognised on available-for-sale investments		–	(101,681)
Finance costs	6	(157,693)	(212,032)
Share of results of associates		42,201	(7,205)
Profit before taxation		3,445,995	2,254,597
Income tax expense	7	(611,605)	(533,505)
Profit for the period		<u>2,834,390</u>	<u>1,721,092</u>
Profit for the period attributable to:			
Owners of the Company		2,180,202	1,505,974
Non-controlling interests		654,188	215,118
		<u>2,834,390</u>	<u>1,721,092</u>
		HK\$ (Unaudited)	HK\$ (Unaudited)
Earnings per share	9		
Basic		<u>2.100</u>	<u>1.468</u>
Diluted		<u>2.083</u>	<u>1.466</u>

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit for the period	<u>2,834,390</u>	<u>1,721,092</u>
Other comprehensive income (expenses) for the period:		
Item that will not be reclassified to profit or loss:		
Translation reserve:		
Exchange differences arising from translation to presentation currency	892,731	(812,780)
Items that may be reclassified subsequently to profit or loss:		
Investment revaluation reserve:		
Net changes arising from available-for-sale investments	558,098	63,916
Translation reserve:		
Exchange differences arising from translation of foreign operations	<u>(4,466)</u>	<u>(23,527)</u>
Other comprehensive income (expenses) for the period (net of tax)	<u>1,446,363</u>	<u>(772,391)</u>
Total comprehensive income for the period	<u><u>4,280,753</u></u>	<u><u>948,701</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	3,465,076	897,327
Non-controlling interests	<u>815,677</u>	<u>51,374</u>
	<u><u>4,280,753</u></u>	<u><u>948,701</u></u>



## Condensed Consolidated Statement of Financial Position

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
<b>Non-current assets</b>			
Investment properties		15,698,288	15,368,824
Properties, plant and equipment	10	13,630,245	13,545,102
Prepaid lease payments		899,609	874,668
Goodwill		2,288,149	2,288,149
Interests in associates		2,063,883	1,959,874
Available-for-sale investments		7,150,548	6,537,266
Entrusted loans	11	815,042	882,944
Deposits paid for acquisition of properties, plant and equipment		358,838	90,940
Deferred tax assets		3,315	3,347
		<b>42,907,917</b>	<b>41,551,114</b>
<b>Current assets</b>			
Inventories		2,105,350	1,779,065
Properties held for development		16,052,128	15,810,227
Trade and other receivables and prepayments	11	7,817,405	6,946,775
Bills receivables	11	3,453,892	3,182,724
Other current assets		665,720	645,931
Prepaid lease payments		21,663	21,809
Taxation recoverable		10,383	10,294
Bank balances and cash		6,534,187	6,472,614
		<b>36,660,728</b>	<b>34,869,439</b>
<b>Current liabilities</b>			
Trade and other payables	12	6,791,170	6,809,624
Bills payables	12	301,908	170,224
Deposits received from pre-sale of residential units		6,585,210	7,334,955
Taxation payable		602,268	528,938
Bank borrowings – amount due within one year		4,767,181	7,849,588
		<b>19,047,737</b>	<b>22,693,329</b>
Net current assets		<b>17,612,991</b>	<b>12,176,110</b>
Total assets less current liabilities		<b>60,520,908</b>	<b>53,727,224</b>

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	31 December 2016 HK\$'000 (Audited)
Non-current liabilities		
Deferred tax liabilities	<b>846,466</b>	759,988
Bank borrowings – amount due after one year	<b>11,617,478</b>	9,014,564
	<b>12,463,944</b>	9,774,552
	<b>48,056,964</b>	43,952,672
Capital and reserves		
Share capital	<b>103,840</b>	103,840
Reserves	<b>40,732,231</b>	37,483,164
Equity attributable to owners of the Company	<b>40,836,071</b>	37,587,004
Non-controlling interests	<b>7,220,893</b>	6,365,668
Total equity	<b>48,056,964</b>	43,952,672

## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											Non-controlling interests HK\$'000	Total equity HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Share options reserve HK\$'000	Goodwill reserve HK\$'000	Special surplus account HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000			Sub-total HK\$'000
Balance at 1 January 2017	103,840	4,652,528	1,911	275,459	1,119,542	10,594	512,652	256,370	(277,790)	(449,187)	31,381,085	37,587,004	6,385,668	43,952,672
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,180,202	2,180,202	654,188	2,834,390
Net changes arising from available-for-sale investments	-	-	-	-	-	-	-	-	538,915	-	-	538,915	19,183	558,098
Exchange difference arising from translation of foreign operations	-	-	-	-	-	-	-	-	-	(3,289)	-	(3,289)	(1,177)	(4,466)
Exchange difference arising from translation to presentation currency	-	-	-	-	-	-	-	-	-	749,248	-	749,248	143,483	892,731
Total comprehensive income for the period	-	-	-	-	-	-	-	-	538,915	745,959	2,180,202	3,465,076	815,677	4,280,753
Recognition of equity-settled share-based payments	-	-	-	3,136	-	-	-	-	-	-	-	3,136	-	3,136
Final dividend for the year ended 31 December 2016	-	-	-	-	-	-	-	-	-	-	(1,038,400)	(1,038,400)	-	(1,038,400)
Contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	64,000	64,000
Deemed disposal of partial interests in a subsidiary	-	-	-	-	199,774	-	-	-	-	-	-	199,774	329,966	529,740
Acquisition of additional interests in subsidiaries	-	-	-	-	67,755	-	-	-	-	-	-	67,755	(587,145)	(499,380)
Disposal of partial interests in a subsidiary	-	-	-	-	551,726	-	-	-	-	-	-	551,726	707,404	1,259,130
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(494,677)	(494,677)
Transfers to reserve	-	-	-	-	-	-	131,348	-	-	-	(131,348)	-	-	-
	-	-	-	3,136	819,255	-	131,348	-	-	-	(1,169,748)	(216,009)	39,548	(176,461)
Balance at 30 June 2017	103,840	4,652,528	1,911	278,595	1,938,797	10,594	644,000	256,370	261,125	296,772	32,391,539	40,836,071	7,220,893	48,056,964

## Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Share redemption reserve HK\$'000	Capital options reserve HK\$'000	Share options reserve HK\$'000	Goodwill reserve HK\$'000	Special surplus account HK\$'000	Statutory reserve HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2016	102,560	4,457,742	1,911	291,588	1,109,920	10,594	448,801	256,370	(13,131)	1,544,779	27,035,034	35,246,168	6,094,559	41,340,727	
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,505,974	1,505,974	1,505,974	215,118	1,721,092
Net charges arising from available-for-sale investments	-	-	-	-	-	-	-	-	60,606	-	-	-	60,606	3,310	63,916
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	-	-	(17,328)	(17,328)	-	(17,328)	(6,199)	(23,527)
Exchange differences arising from translation to presentation currency	-	-	-	-	-	-	-	-	-	(651,925)	(651,925)	-	(651,925)	(160,855)	(812,780)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	60,606	(669,253)	(669,253)	1,505,974	897,327	51,374	948,701
Recognition of equity-settled share- based payments	-	-	-	13,513	-	-	-	-	-	-	-	-	13,513	-	13,513
Final dividend for the year ended 31 December 2015	-	-	-	-	-	-	-	-	-	-	-	(307,680)	(307,680)	-	(307,680)
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	26,400	26,400
Acquisition of additional interests in subsidiaries	-	-	-	-	5,626	-	-	-	-	-	-	-	5,626	(44,066)	(38,440)
Dividend paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(55,685)	-	(104,500)	(104,500)
Transfers to reserve	-	-	-	-	-	-	55,685	-	-	-	-	(55,685)	-	-	-
	-	-	-	13,513	5,626	-	55,685	-	-	-	-	(683,365)	(288,541)	(122,166)	(410,707)
Balance at 30 June 2016	102,560	4,457,742	1,911	305,101	1,115,546	10,594	504,486	256,370	47,475	875,526	28,177,643	35,854,954	6,023,767	41,878,721	

## Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash from operating activities	1,129,777	5,291,577
Net cash used in investing activities	(251,421)	(2,160,275)
Net cash used in financing activities	(816,783)	(3,410,640)
	<u>61,573</u>	<u>(279,338)</u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	6,472,614	4,853,792
	<u>6,534,187</u>	<u>4,574,454</u>
Cash and cash equivalents at the end of the period, representing bank balances and cash		

Notes:

### 1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### 2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.



## 2. Principal accounting policies – continued

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA that are mandatorily effective for the current interim period.

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle: HKFRS 12 Disclosure of interests in other entities

The application of the above new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. Segment information

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to segments and to assess their performance. Specifically, the Group’s operating and reportable segments under HKFRS 8 were organised into five main operating divisions – (i) manufacture and sale of laminates, (ii) manufacture and sale of printed circuit boards (“PCBs”), (iii) manufacture and sale of chemicals, (iv) sales and rental of properties (“Properties”) and (v) others (including services income, manufacture and sale of magnetic products and hotel business). No other operating segment identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Under HKFRS 8, segment information is based on internal management reporting information that is regularly reviewed by the executive directors, being the CODM of the Group. The measurement policies the Group used for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements. The CODM assess segment profit or loss using a measure of operating profit whereby certain items are not included in arriving at the segment results of the operating segments (gain on disposal of available-for-sale investments, impairment loss recognised on available-for-sale investments, share-based payments, unallocated corporate income and expenses, finance costs and share of results of associates).

### 3. Segment information – continued

Segment revenues and results by reportable segments are presented below:

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Six months ended 30 June 2017</b>							
Segment revenue							
External sales	6,381,047	3,844,857	6,252,840	1,995,133	191,685	-	18,665,562
Inter-segment sales	1,101,100	-	280,086	-	2,654	(1,383,840)	-
<b>Total</b>	<b>7,482,147</b>	<b>3,844,857</b>	<b>6,532,926</b>	<b>1,995,133</b>	<b>194,339</b>	<b>(1,383,840)</b>	<b>18,665,562</b>
Result							
Segment result	2,104,522	277,345	304,334	672,251	12,583		3,371,035
Gain on disposal of available-for-sale investments							246,220
Share-based payments							(3,136)
Unallocated corporate income							101,558
Unallocated corporate expenses							(154,190)
Finance costs							(157,693)
Share of results of associates							42,201
Profit before taxation							3,445,995

### 3. Segment information – continued

	Laminates HK\$'000 (Unaudited)	PCBs HK\$'000 (Unaudited)	Chemicals HK\$'000 (Unaudited)	Properties HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Eliminations HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
<b>Six months ended</b>							
<b>30 June 2016</b>							
Segment revenue							
External sales	5,316,154	3,659,096	4,411,165	4,738,694	195,732	–	18,320,841
Inter-segment sales	764,976	–	239,601	–	2,075	(1,006,652)	–
Total	<u>6,081,130</u>	<u>3,659,096</u>	<u>4,650,766</u>	<u>4,738,694</u>	<u>197,807</u>	<u>(1,006,652)</u>	<u>18,320,841</u>
Result							
Segment result	<u>899,731</u>	<u>143,024</u>	<u>94,425</u>	<u>1,376,050</u>	<u>983</u>		2,514,213
Gain on disposal of available-for-sale investments							113,027
Impairment loss recognised on available-for-sale investments							(101,681)
Share-based payments							(13,513)
Unallocated corporate income							110,322
Unallocated corporate expenses							(148,534)
Finance costs							(212,032)
Share of results of associates							(7,205)
Profit before taxation							<u>2,254,597</u>

Inter-segment sales are charged at a price mutually agreed by both parties.

### 4. Depreciation

During the reporting period, depreciation of approximately HK\$926,814,000 (1 January 2016 to 30 June 2016: HK\$1,005,307,000) was charged in respect of the Group's properties, plant and equipment.

## 5. Other income, gains and losses

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income, gains and losses include:		
Dividends from available-for-sale investments	6,622	68,974
Interest income from available-for-sale investments	88,676	40,404
Interest income from bank balances and cash	8,491	22,665
Interest income from entrusted loans	38,659	40,639
	<u>132,448</u>	<u>172,682</u>

## 6. Finance costs

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	176,531	230,963
Less: Amount capitalised in the cost of qualifying assets	(18,838)	(18,931)
	<u>157,693</u>	<u>212,032</u>

Bank borrowing costs capitalised during the reporting period includes the bank borrowing costs of HK\$14,074,000 (1 January 2016 to 30 June 2016: HK\$15,097,000) arose from a bank borrowing specific for the property development project and bank borrowing costs arose from the general borrowing pool which were calculated by applying a weighted average capitalisation rate of 2.3% (1 January 2016 to 30 June 2016: 1.0%) per annum to expenditure on qualifying assets.

## 7. Income tax expense

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
The amount comprises:		
Hong Kong Profits Tax	2,665	750
Taxation arising in other jurisdictions	<u>606,561</u>	<u>530,979</u>
Deferred taxation	609,226	531,729
Charge for the period	<u>2,379</u>	<u>1,776</u>
	<u><b>611,605</b></u>	<u><b>533,505</b></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. Interim dividend

The directors of the Company (the "Directors") have resolved to declare an interim dividend for the six months ended 30 June 2017 of HK\$0.60 per share (1 January 2016 to 30 June 2016: HK\$0.30 per share) to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 24 October 2017. The dividend warrants will be dispatched on or around Wednesday, 13 December 2017.

## 9. Earnings per share

The calculations of basic and diluted earnings per share attributable to the owners of the Company are based on the following data:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share	<u>2,180,202</u>	<u>1,505,974</u>
	Number of shares	
	30 June	30 June
	2017	2016
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,038,400,136</u>	1,025,600,236
Add: Effect of potentially dilutive ordinary shares relating to: – outstanding share options granted on 19 March 2015	<u>8,333,064</u>	<u>1,543,069</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>1,046,733,200</u>	<u>1,027,143,305</u>

The calculation of diluted earnings per share for the six months ended 30 June 2016 did not take into account the effects of share options granted in 2011 by the Company and Kingboard Laminates Holdings Limited ("KLHL"), a listed subsidiary of the Group in Hong Kong, as the exercise prices of the outstanding share options granted in 2011 were higher than the average market prices of the Company's and KLHL's shares during the six months ended 30 June 2016.

## 10. Additions to properties, plant and equipment

During the reporting period, the Group spent approximately HK\$849,115,000 (1 January 2016 to 30 June 2016: HK\$402,292,000) on acquisition of properties, plant and equipment.

## 11. Trade and other receivables and prepayments, entrusted loans and bills receivables

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Trade receivables	5,629,436	5,237,066
Advance to suppliers	608,416	447,831
Entrusted loans (Note)	870,051	942,536
Prepayment and deposits	908,808	662,346
Value added tax recoverables	200,388	184,569
Land appreciation tax on pre-sale properties	127,159	145,260
Other receivables	288,189	210,111
	<u>8,632,447</u>	<u>7,829,719</u>
Less: Non-current portion of entrusted loans (Note)	<u>(815,042)</u>	<u>(882,944)</u>
	<u><u>7,817,405</u></u>	<u><u>6,946,775</u></u>

### Note:

The entrusted loans of HK\$870,051,000 (31 December 2016: HK\$942,536,000) are due from certain purchasers of the properties developed by the Group in the PRC through four (31 December 2016: four) commercial banks in the PRC (the "Lending Agents"). The entrusted loans are interest bearing ranging from 3.92% to 5.39% (31 December 2016: 3.92% to 5.39%) per annum payable on monthly basis and the principal will be payable on or before 2034 (31 December 2016: 2034). The purchasers of the Group's properties has pledged to the Lending Agents the respective properties purchased. These properties are located at Kunshan, PRC.

The Group allows credit period of up to 120 days, depending on the products sold, to its trade customers. The following is an aging analysis of trade receivables based on invoice date at the end of the reporting period:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
0-90 days	4,269,451	4,069,593
91-120 days	816,422	733,053
121-150 days	335,432	260,167
151-180 days	112,762	81,751
Over 180 days	95,369	92,502
	<u>5,629,436</u>	<u>5,237,066</u>

All bills receivables of the Group are aged within 90 days (31 December 2016: 90 days) at the end of the reporting period.



## 12. Trade and other payables and bills payables

	30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
Trade payables	2,203,509	2,582,459
Accrued expenses	806,464	727,666
Payables for acquisition of properties, plant and equipment	488,897	455,961
Receipt in advance	913,142	744,315
Other tax payables	828,540	831,054
VAT payables	285,089	334,548
Other payables ( <i>Note</i> )	1,265,529	1,133,621
	<u>6,791,170</u>	<u>6,809,624</u>

*Note:* Included in other payables was the advance from an associate of approximately HK\$1,095,117,000 (31 December 2016: HK\$1,062,564,000) which is interest-free, unsecured and repayable on demand.

The following is an aging analysis of the trade payables based on invoice date at the end of the reporting period:

	30 June 2017 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2016 <i>HK\$'000</i> <i>(Audited)</i>
0–90 days	1,589,556	1,995,590
91–180 days	396,878	375,710
Over 180 days	217,075	211,159
	<u>2,203,509</u>	<u>2,582,459</u>

All bills payables of the Group are aged within 90 days (31 December 2016: 90 days) at the end of the reporting period.



### 13. Share options

#### (a) *Employees' share option scheme of the Company*

The existing share option scheme of the Company (the "Scheme") was approved by shareholders of the Company at the extraordinary general meeting held on 23 March 2009. The purpose of the Scheme is to provide incentive or reward to the Eligible Participants (as defined below) for their contribution to, and continuing efforts to promote the interests of the Group.

Under the Scheme which is valid for a period of 10 years (as at the date of this report, the remaining life of the Scheme is approximately 19 months), the Board may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long-term growth and profitability of the Company. Eligible Participants include (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds any equity interests ("Invested Entity"), including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and (vi) any person or entity who from time to time determined by the Board as having contributed or may contribute to the development and growth of the Group based on his or its performance and/or years of service, or is regarded as valuable resources of the Group based on his/its working experience, knowledge in the industry and other relevant factors. The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 28 business days from the date of grant upon payment of HK\$1 and are exercisable over a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of adoption of the Scheme.

The total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the Scheme. The total number of shares available for issue under the Scheme is 84,473,904 shares, which represents approximately 8.1% of the total issued share capital of the Company as at the date of this report. The limit on the number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

### 13. Share options – continued

#### (a) Employees' share option scheme of the Company – continued

In respect of the share options outstanding at the end of the reporting period, the weighted average exercise price per share is HK\$27.63 (31 December 2016: HK\$25.66).

As at 30 June 2017, if all the exercisable share options under the Scheme were converted, 44,752,000 (31 December 2016: 34,752,000) shares will be issued, representing approximately 4.31% (31 December 2016: 3.35%) of the issued share capital of the Company.

A summary of the movements of the share options under the Scheme for the period is as follows:

	Share options grant date	Exercise price HK\$	Exercise period	Number of share options outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2017
<b>Executive Directors</b>									
Mr. Cheung Kwok Wing	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,360,000	-	-	-	3,360,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	3,400,000	-	-	-	3,400,000
Mr. Chang Wing Yiu	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	2,700,000	-	-	-	2,700,000
Mr. Cheung Kwong Kwan	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	2,000,000	-	-	-	2,000,000
Mr. Ho Yin Sang (Note 3)	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	1,500,000	-	-	-	1,500,000
Ms. Cheung Wai Lin, Stephanie	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	3,120,000	-	-	-	3,120,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	2,500,000	-	-	-	2,500,000
Mr. Cheung Ka Shing	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	2,928,000	-	-	-	2,928,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	3,200,000	-	-	-	3,200,000
<b>Sub-total</b>				<b>34,068,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,068,000</b>

## 13. Share options – continued

(a) *Employees' share option scheme of the Company – continued*

	Share options grant date	Exercise price HK\$	Exercise period	Number of share options outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2017
Employees	(i)	21 March 2011	33.92	21 March 2011 to 22 March 2019 (Note 1)	8,784,000	-	-	-	8,784,000
	(ii)	19 March 2015	12.424	19 March 2015 to 22 March 2019 (Note 2)	1,900,000	-	-	-	1,900,000
Sub-total				10,684,000	-	-	-	-	10,684,000
Total				44,752,000	-	-	-	-	44,752,000
Exercisable at:									
	1 January 2017			34,752,000					
	30 June 2017			44,752,000					

*Notes:*

- These share options under the Scheme were granted on 21 March 2011 at an exercise price of HK\$40.70 per share. The exercise price was adjusted for the dilutive effect on 29 May 2013 and the adjusted exercise price is HK\$33.92. 25% of the total number of share options were vested immediately on the date of grant. The remaining 75% were split evenly into three lots and vested on 21 March 2012, 2013 and 2014, respectively. The closing price of the Company's shares immediately before the date of grant was HK\$39.55.
- These share options under the Scheme were granted on 19 March 2015 at an exercise price of HK\$12.424 per share. 33% of the total number of share options were vested immediately on the date of grant. 33% of the total number of share options were vested on 19 March 2016 and remaining 34% were vested on 19 March 2017. The closing price of the Company's shares immediately before the date of grant was HK\$12.34.
- In addition to 4,620,000 share options held by Mr. Ho Yin Sang, the spouse of Mr. Ho Yin Sang held 4,828,000 share options.

The Group recognised the total expense of approximately HK\$3,136,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$13,513,000) in relation to the share options granted by the Company.

### 13. Share options – continued

#### (b) *Employees' share option scheme of Elec & Eltek International Company Limited ("EEIC")*

The existing share option scheme of EEIC (the "EEIC Scheme") was approved by the shareholders of EEIC at the extraordinary general meeting held on 21 April 2008 and was adopted and took effect from 9 May 2008 upon approval by the shareholders of the Company. The purpose of the EEIC Scheme is to provide incentive or reward to the eligible participants of the EEIC Scheme for their contribution to, and continuing efforts to promote the interests of the EEIC Group.

The EEIC Scheme is open to full-time employees and directors of any company within the EEIC Group, the parent group and of an associated company of EEIC, subject to certain conditions being satisfied.

The EEIC Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in EEIC either at an "Exercise Price", which equals to the average of the last dealt prices for an EEIC share for a period of 5 consecutive market days immediately preceding the relevant date of grant, or a price at a discount to the Exercise Price as defined earlier, whereby the discount shall not exceed 20% of the Exercise Price.

Options granted at the Exercise Price or at a discount to the Exercise Price may be exercisable after the first or second anniversary respectively of the date of grant and expiring on the fifth anniversary of the date of grant.

The duration of the EEIC Scheme is 10 years (the remaining life of the EEIC Scheme is approximately 8 months as at the date of this report) and the total number of shares in EEIC that may be issued shall not exceed 10% of the total number of EEIC shares in issue as at the adoption date or subject to certain conditions being satisfied, 15% of the total issued shares of EEIC excluding treasury shares (if any) from time to time. The total number of shares available for issue under the EEIC Scheme is 17,963,506 shares, which represents approximately 9.6% of the total issued share capital of EEIC as at the date of this report. The total number of EEIC shares issued and to be issued upon the exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of EEIC shares in issue from time to time.

Share options may be accepted within 30 days after the relevant date of grant accompanied by payment of S\$1.00 (or its equivalent) as consideration by the participants, but the grant of share options do not confer rights on the option holders to any dividend entitlement or to vote at any shareholders' meeting.

As at 30 June 2017, there was no share option granted under the EEIC Scheme since its adoption.

#### (c) *Employees' share option scheme of Kingboard Laminates Holdings Limited ("KLHL")*

The share option scheme of KLHL (the "KLHL Scheme") was approved by the shareholders of KLHL and the shareholders of the Company on 29 May 2017. The purpose of the KLHL Scheme is to provide incentive or reward to the eligible participants of the KLHL Scheme for their contribution to, and continuing efforts to promote the interests of KLHL and its subsidiaries (collectively referred to as the "KLHL Group").

### 13. Share options – continued

(c) ***Employees' share option scheme of Kingboard Laminates Holdings Limited ("KLHL") – continued***

The KLHL Scheme is valid for a period of 10 years from the effective date of the KLHL Scheme. The directors of KLHL may, at its discretion, grant options to subscribe for shares in KLHL to eligible participants who contribute to the long-term growth and profitability of KLHL and include (i) any employee or proposed employee (whether full-time or part-time and including any executive director), consultants or advisers of or to KLHL, any of its subsidiaries or any entity ("KLHL's Invested Entity") in which the KLHL Group hold an equity interest; (ii) any non-executive directors (including independent non-executive directors) of KLHL, any of its subsidiaries or any KLHL's Invested Entity; (iii) any supplier of goods or services to any member of the KLHL Group or any KLHL's Invested Entity; (iv) any customer of the KLHL Group or any KLHL's Invested Entity; (v) any person or entity that provides research, development or other technological support to the KLHL Group or any KLHL's Invested Entity; and (vi) any shareholder of any member of the KLHL Group or any KLHL's Invested Entity.

The subscription price of KLHL's share in respect of any option granted under the KLHL Scheme must be at least the highest of (i) the closing price of the shares of KLHL as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the shares of KLHL as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of KLHL.

An option may be accepted by a participant within 28 days from the date of the offer for the grant of the option upon the payment of a consideration of HK\$1 and may be exercised at any time during a period to be determined and notified by the directors of KLHL to each grantee, and in the absence of such determination, from the date upon which the offer for the grant of the option is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. The directors of KLHL may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

The total number of shares of KLHL which may be issued upon exercise of all options to be granted under the KLHL Scheme and any other share option scheme of KLHL (excluding, for this purpose, options lapsed in accordance with the terms of the KLHL Scheme and any other share option scheme of KLHL) must not in aggregate exceed 10% of the total number of shares of KLHL in issue as at the date of approval of the KLHL Scheme. As at the date of this report, no share option has been granted, exercised, cancelled or lapsed under the KLHL Scheme.

The maximum number of shares of KLHL which may be issued upon exercise of all outstanding options granted and yet to be exercised under the KLHL Scheme and any other share option scheme of KLHL must not exceed 30% of the issued share capital of KLHL from time to time.

The total number of shares of KLHL issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of the share capital of KLHL then in issue unless approved by the shareholders of KLHL and the Company in general meetings.

The share option scheme of KLHL (the "2007 KLHL Scheme") previously approved by the shareholders of KLHL and the shareholders of the Company on 18 May 2007 and 25 June 2007, respectively, expired on 17 May 2017.

### 13. Share options – continued

(c) **Employees' share option scheme of Kingboard Laminates Holdings Limited ("KLHL") – continued**

As at 30 June 2017, no share options granted under 2007 KLHL Scheme remained outstanding and accordingly, the total number of shares of KLHL in respect of which options had been granted was nil.

Details of the share options granted by KLHL pursuant to the 2007 KLHL Scheme and the share options outstanding as at 30 June 2017 were as follows:

	Number of share options outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of share options outstanding as at 30 June 2017	Share options grant date	Exercisable period	Exercise price HK\$
<b>Executive Directors</b>									
Mr. Ho Yin Sang (Note 2)	9,000,000	-	(9,000,000)	-	-	-	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
Mr. Cheung Ka Shing	9,000,000	-	(9,000,000)	-	-	-	21 March 2011	21 March 2011 to 17 May 2017 (Note 1)	6.54
<b>Sub-total</b>	<b>18,000,000</b>	<b>-</b>	<b>(18,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Employees</b>	<b>63,000,000</b>	<b>-</b>	<b>(63,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21 March 2011</b>	<b>21 March 2011 to 17 May 2017 (Note 1)</b>	<b>6.54</b>
<b>Sub-total</b>	<b>63,000,000</b>	<b>-</b>	<b>(63,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Total</b>	<b>81,000,000</b>	<b>-</b>	<b>(81,000,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Exercisable at:</b>									
1 January 2017	81,000,000								
30 June 2017	-								

**Notes:**

- 25% of the total share options were vested immediately on the date of grant. The remaining 75% were split evenly into three lots and were vested on 21 March 2012, 2013 and 2014. The closing price of the KLHL's shares immediately before the date of grant was HK\$6.3.
- 9,000,000 share options were held by his spouse.

#### 14. Capital and other commitments

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of properties, plant and equipment	237,905	116,110
– capital injection in an unlisted investment	3,346	3,346
	<u>241,251</u>	<u>119,456</u>
Other expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition and other expenditures relating to properties held for development	1,521,666	2,124,227
	<u>1,762,917</u>	<u>2,243,683</u>

#### 15. Related party transactions

The Group entered into the following significant transactions with related parties during the period:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sales of goods to subsidiaries of a shareholder with significant influence to the Group	302,235	266,940
Purchase of goods from subsidiaries of a shareholder with significant influence to the Group	343,336	322,271
Sales of goods to a non-controlling shareholder of a subsidiary	30,039	26,494
Purchase of goods from an associate	185,586	198,887
	<u>1,061,196</u>	<u>1,014,592</u>

Included in trade and other receivables and prepayments as at 30 June 2017 was an amount due from a non-controlling shareholder of a subsidiary of approximately HK\$13,937,000 (31 December 2016: HK\$10,927,000).

Included in trade and other receivables and prepayments as at 30 June 2017 was an advance payment to an associate of approximately HK\$484,000 (31 December 2016: amount due to an associate of HK\$26,105,000).

## 16. Contingent liabilities

- (a) The Group provided guarantees amounting to approximately HK\$4,918,844,000 as at 30 June 2017 (31 December 2016: HK\$6,376,798,000) to facilitate mortgage bank loans applications of purchasers of the properties that were developed by the Group. In the opinion of the Directors, the fair values of these financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 30 June 2017 and 31 December 2016.

Guarantees are given to banks with respect to loans procured by the purchasers of properties that were developed by the Group. Such guarantees will be released by banks upon delivery of the properties to the purchasers and completion of the registration of the relevant mortgaged properties.

- (b) During the year ended 31 December 2011, the Company and certain subsidiaries of the Company (the "Respondents") were named as respondents in a petition (the "Petition") filed with the Supreme Court of Bermuda by Annuity & Life Reassurance Limited (the "Petitioner") based on its allegation that the affairs of Kingboard Copper Foil Holdings Limited ("KBCF"), a 82.32%-owned subsidiary of KLHL as at the end of reporting period and whose shares are listed on Singapore Exchange Securities Trading Limited, had been and or were being conducted in a manner which was oppressive or unfairly prejudicial to its minority shareholders. The Petitioner (being a minority shareholder of KBCF) sought an order requiring the Respondents to repurchase all of the KBCF's shares held by Petitioner at a price to be fixed.

The trial of the Petition took place in September 2015. The Supreme Court of Bermuda handed down its judgement on 10 November 2015. The Court found that the allegation that the terms of the previous interested person transaction sales constituted preferential transfer pricing which was prejudicial to minority shareholders was not proved; and the allegation that the terms of licence agreement were wholly uncommercial and the licence was a sham was also not proved. However, the Court ruled that KBCF's management should have promptly initiated bona fide open negotiations in which commercially reasonable proposals should be openly tabled with a view to persuading the minority shareholders to approve the interest person transactions mandate on even marginally more favourable terms.

The Respondents filed a notice of appeal on 23 December 2015 relating to the unfavourable ruling of the first instance judgement. The appeal hearing took place in the Court of Appeal of Bermuda on 6 to 7 March 2017. The Court of Appeal of Bermuda handed down a written judgement on 24 March 2017, allowing the appeal of the Respondents.

The Petitioner filed a notice of motion for leave to appeal to the Privy Council on 13 April 2017 and was granted leave to appeal on 16 June 2017. At the date of the report, in the opinion of the Directors and the Company's lawyer, the liability of this legal case cannot be quantified at this stage pending the outcome of the aforementioned appeal by the Petitioner to the Privy Council. Accordingly, no provision for liability has been made in connection with this claim by the Group.



## BUSINESS REVIEW

On behalf of the Board, I am delighted to announce that Kingboard Chemical Holdings Limited (the “Company”) and its subsidiaries (the “Group”) delivered satisfactory results during the six months ended 30 June 2017 (the “Period”). During the Period, all core divisions recorded outstanding performances. Benefitting from market demand growth, there was a shortage of laminates and their upstream materials, leading to significant price increases across products in laminates division and thus an expanding profit margin. The printed circuit board (“PCB”) division continued to increase the output of high value-added products, and to expand sales to the automobile electronics, high-end telecommunications equipment and smart appliances. These efforts have yielded a breakthrough in earnings contributed from the segment. As China’s policy to reduce excessive capacity began to yield results, the Group’s major chemical products, including coke, caustic soda and methanol, showed substantial price increases. As a result, the chemical segment recorded a strong rebound in its profit. With the additional rental contribution from the new commercial projects in London and Shanghai, the property division reported steady growth in rental income.

Group revenue rose 2% year on year to HK\$18,665.6 million, with earnings before interest, tax, depreciation and amortisation (“EBITDA”) of HK\$4,545.8 million, a strong growth of 26%. The underlying net profit also surged 35% to HK\$2,183.3 million. The Board has declared an interim dividend of HK60.0 cents per share, representing an increase of 100% year on year.



## Financial Highlights

	Six months ended 30 June		Change
	2017 <i>HK\$*million</i>	2016 <i>HK\$*million</i>	
Revenue	<b>18,665.6</b>	18,320.8	+2%
EBITDA*	<b>4,545.8</b>	3,599.3	+26%
Net profit attributable to owners of the Company			
– Underlying net profit*	<b>2,183.3</b>	1,621.2	+35%
– Reported net profit	<b>2,180.2</b>	1,506.0	+45%
Basic earnings per share			
– Based on underlying net profit*	<b>HK\$2.103</b>	HK\$1.581	+33%
– Based on reported net profit	<b>HK\$2.100</b>	HK\$1.468	+43%
Interim dividend per share	<b>HK\$0.60</b>	HK\$0.30	+100%
Net asset value per share	<b>HK\$39.3</b>	HK\$35.0	+12%
Net gearing	<b>20%</b>	32%	

\* Excluding:

- (1) Share-based payments of HK\$3.1million (1 January 2016 to 30 June 2016: HK\$13.5 million).
- (2) Impairment loss recognised on available-for-sale investments of HK\$101.7 million from 1 January 2016 to 30 June 2016 (1 January 2017 to 30 June 2017: Nil).

## PERFORMANCE

The Group has been ranked the world's top laminates producer for twelve consecutive years. During the Period, shortages in the supply of copper foil, glass yarn and glass fabric have driven laminates prices up. Laminate segment turnover (including inter-segment sales) jumped 23% to HK\$7,482.1 million. With a vertically integrated production model, the Group was able to effectively translate the product price increase into profit growth. EBITDA hence increased by 95% to HK\$2,392.1 million.

The PCB division continued to upgrade its order mix, recording proportionately increased sales of high-end products. There were significant increases in orders from the automobile, high-end telecommunications and smart consumer electronic products. On the back of a higher average product price, segment turnover grew by 5% to HK\$3,844.9 million. Despite the impact from the price increases of upstream materials for PCB production as laminates price increased, the segment benefitted from significantly higher added-value for its products and greatly enhanced production efficiency. EBITDA demonstrated a strong growth of 33% to HK\$531.5 million.

As China steadily reduced excess capacity, prices for chemical products increased generally. Driven by robust sales in steel, properties and automobile, prices of the chemical division's main products, including coke, methanol and caustic soda, demonstrated phenomenal growth, thereby driving segment turnover to grow by 40% to HK\$6,532.9 million. EBITDA grew substantially by 34% to HK\$676.9 million.

The partial booking of sales of Kunshan Development Zone Kingboard Yu Garden Phase 2 and 3, Jiangyin Kingboard Yu Garden Phase 1 and Huaqiao Kingboard Yu Garden Phase 4 aggregated to HK\$1,595.4 million during the Period. Rental income increased by 28% to HK\$399.7 million, mainly attributable to the rents received from the newly acquired commercial property, Moor Place in London and newly completed commercial property, Shanghai Kingboard Plaza Phase 1.

## AVAILABLE-FOR-SALE INVESTMENTS

As at 30 June 2017, the Group held in aggregate approximately HK\$7,151 million available-for-sale investments, representing approximately 9% of the total asset of the Group as at 30 June 2017, which consisted of mostly securities listed on Main Board of the Stock Exchange and bonds issued mainly by companies listed on the Main Board of the Stock Exchange. The Group acquired its available-for-sale investments through on market purchase. The Group will from time to time monitor the price movement of prices in securities and bonds and may adjust its investment portfolio as and when appropriate.



The following table sets out the Group's major available-for-sale investments as at 30 June 2017:

Name of available-for-sale investments	Fair value as at 30 June 2017 <i>HK\$'000</i>	Dividend income for the Period <i>HK\$'000</i>
Ordinary shares of Cathay Pacific Airways Limited (listed on the Stock Exchange with stock code 293) ("Cathay Pacific")	<u>4,294,952</u>	<u>–</u>

Save as the available-for-sale investments as set out in the table above, the aggregate fair value of other available-for-sale investments held by the Group as at 30 June 2017 do not exceed 5% of the consolidated total assets of the Group as at 30 June 2017.

Based on the unaudited financial statements for the six months ended 30 June 2017 in its 2017 interim results announcement dated 16 August 2017, Cathay Pacific reported an attributable loss of HK\$2,051 million for the first six months of 2017 and it was stated that the fundamental structural changes within the airline industry continued to affect the operating environment for its airlines and created difficult operating conditions in the first half of 2017, with the intense competition with other airlines being the most significant factor affecting its performance. The operating environment in the second half of 2017 is expected to remain challenging.

For further information of the business and financial performance of Cathay Pacific, please refer to the report and announcement referred in the above paragraph for details. Please also refer to the respective publications of Cathay Pacific from time to time for updates on prospects and performances. The report and announcement referred above do not form part of this interim report and do not constitute any publication issued by, or any opinion, advice or view of, the Company or any of its directors.

## LIQUIDITY AND CAPITAL RESOURCES

The Group's financial and liquidity position continued to be robust. As at 30 June 2017, net current assets and current ratio of the Group were approximately HK\$17,613 million (31 December 2016: HK\$12,176.1 million) and 1.92 (31 December 2016: 1.54) respectively.

The net working capital cycle increased from 41 days as at 31 December 2016 to 50 days as at 30 June 2017 on the following key metrics:

- Inventories, in terms of stock turnover days, were 27 days (31 December 2016: 23 days).
- Trade receivables, in terms of debtor turnover days, were 55 days (31 December 2016: 53 days).
- Trade and bills payables, in terms of creditor turnover days, were 32 days (31 December 2016: 35 days).

The Group's net gearing ratio as at 30 June 2017 (ratio of interest-bearing borrowings net of cash and cash equivalents to total equity) was 20% (31 December 2016: 24%). The proportion of short-term to long-term bank borrowings stood at 29%:71% (31 December 2016: 47%:53%). As at 30 June 2017, the effective interest rate of the Group's variable-rate bank borrowings ranged from HIBOR +0.8% to LIBOR +1.5% (31 December 2016: HIBOR +0.8% to LIBOR +2.42%), and the Group's fixed rate bank borrowing of 4.35% (31 December 2016: 6%) per annum respectively.

Included in bank borrowings are the following amounts denominated in currencies other than the functional currency of the group entities to which they relate:

	<b>30 June 2017 HK\$'000 (Unaudited)</b>	<b>31 December 2016 HK\$'000 (Audited)</b>
US\$	<b>1,522,408</b>	1,768,109
HK\$	<b>14,858,380</b>	14,587,940

During the Period, the Group invested HK\$850 million and HK\$1,150 million in new production capacity and property development projects respectively. With a sound balance sheet and abundant contingency funds, the Group is in an excellent position to flexibly respond to the challenges and opportunities in the market.

The Group continued to adopt a prudent financial management policy. The Group did not enter into any type of derivative financial instrument, nor did the Group have any material foreign exchange exposure during the Period. The Group's revenue, mostly denominated in Hong Kong dollars, RMB and US dollars, was fairly matched with the currency requirements of its operating expenses.



## CONTINGENT LIABILITIES

The Group provided guarantees amounting to approximately HK\$4,919 million as at 30 June 2017 (31 December 2016: HK\$6,377 million) to facilitate mortgage bank loan applications of purchasers of the properties developed by the Group. Please refer to note 16 to the Group's unaudited condensed consolidated financial statements for the Period in this report for further details of such guarantees.

During the year ended 31 December 2011, the Company and certain of its subsidiaries were named as respondents in a petition ("Petition") filed with the Supreme Court of Bermuda by Annuity & Life Reassurance Limited based on its allegation that the affairs of Kingboard Copper Foil Holdings Limited, a 82.32%-owned subsidiary of KLHL whose shares are listed on Singapore Exchange Securities Trading Limited, had been and or were being conducted in a manner which was oppressive or unfairly prejudicial to its minority shareholders. Please refer to note 16 to the Group's unaudited condensed consolidated financial statements for the Period in this report for further details of the status of the Petition.

## HUMAN RESOURCES

As at 30 June 2017, the Group employed a global workforce of approximately 43,200 (31 December 2016: 41,800). The increase in the workforce was mainly to cope with business developments. In addition to offering competitive salary packages, the Group grants share options and discretionary bonuses to eligible employees based on the Group's overall financial achievements and employees' individual performance.

## PROSPECTS

The second half of the year is the traditional peak season for sales of electronic products. As the supply shortage becomes more evident amidst surging demand for laminates, the Group has once again raised product prices. At the same time, the Group is expanding the sales of high value-added laminates, such as thin laminates, halogen-free laminates and LED-related laminates. With new capacities coming on stream in phases, operating efficiency is expected to continue to be enhanced.

Benefitting from the peak season for automobiles, handsets and home appliances, the PCB division has strong order growth. High-end PCBs are showing a trend of undersupply. The division is able to maintain strong growth momentum on the back of a diversified downstream business portfolio. Leveraging on solid experience in producing PCBs for automobiles and telecommunications equipment, the division will enhance its targeted research and development capabilities, while optimising the existing production lines by installing high-precision and automated facilities to strengthen the division's core competence.

While China is expediting the rollout of its supply-side reform policy, it is expected that certain chemical enterprises that underperform in terms of operating efficiency and environmental standards will exit the market. This will help to steadily improve the supply-demand conditions. Major products of the chemical division, such as coke, methanol and caustic soda, will have room for further price increases. The division will fully utilise its existing capacities while strictly controlling production costs, in an effort to yield higher profits in an efficient and low-carbon model.

Kunshan and some other local government authorities implemented control measures targeting the property market during the second half of last year. With the cyclical impact of these measures coming to an end during the second half of this year, it is expected that market demand will emerge again. The property division is actively preparing for the launch of a number of projects for sale. Shanghai Kingboard Plaza Phase 1 will also contribute rental income growth following the end of the rent-free periods.

The Group has introduced a revolutionary graphene-based floor heating modules, receiving excellent market response. The first experiential sales centre has been set up in Shanghai, with eleven more to be opened in the major cities of China during the second half. The Group plans to establish two factories in order to increase its production capacity for graphene heating chips and heated floor panels.

## APPRECIATION

On behalf of the Board of Directors, I wish to express my sincere gratitude to our shareholders, customers, banks, and the management and employees for their unreserved support for the Group during the Period.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 October 2017 to Tuesday, 24 October 2017 (both days inclusive) during which period no transfers of shares will be registered. In order to qualify for receiving the interim dividend, the Company's shareholders are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, 20 October 2017. Payment of such dividend is expected to be made to the Company's shareholders on or around Wednesday, 13 December 2017.



## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2017, the interests of the Directors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### Long position

#### (a) Ordinary shares of HK\$0.10 each of the Company ("Shares")

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Mr. Cheung Kwok Wing ( <i>Note 1</i> )	Beneficial owner/ Interest of spouse	4,210,470	0.405
Mr. Chang Wing Yiu ( <i>Note 2</i> )	Beneficial owner/ Interest of spouse	6,997,228	0.674
Mr. Cheung Kwong Kwan	Beneficial owner	3,408,000	0.328
Mr. Ho Yin Sang ( <i>Note 3</i> )	Beneficial owner/ Interest of spouse	901,000	0.087
Ms. Cheung Wai Lin, Stephanie ( <i>Note 4</i> )	Beneficial owner/ Interest of spouse	1,000,000	0.096
Mr. Cheung Ka Shing	Beneficial owner	870,000	0.084
Mr. Cheung Ming Man	Beneficial owner	10,000	0.001
Dr. Chong Kin Ki	Beneficial owner	40,000	0.004

#### Notes:

- (1) Out of the 4,210,470 Shares, 2,212,405 Shares were held by Mr. Cheung Kwok Wing and 1,998,065 Shares were held by his spouse.
- (2) Out of the 6,997,228 Shares, 5,426,488 Shares were held by Mr. Chang Wing Yiu and 1,570,740 Shares were held by his spouse.
- (3) Out of the 901,000 Shares, 622,500 Shares were held by Mr. Ho Yin Sang and 278,500 Shares were held by his spouse.
- (4) Out of the 1,000,000 Shares, 980,000 Shares were held by Ms. Cheung Wai Lin, Stephanie and 20,000 Shares were held by her spouse.



**(b) Share options of the Company (“Share Options”)**

Name of Director	Capacity	Interest in underlying Shares pursuant to Share Options
Mr. Cheung Kwok Wing	Beneficial owner	6,760,000
Mr. Chang Wing Yiu	Beneficial owner	5,820,000
Mr. Cheung Kwong Kwan	Beneficial owner	5,120,000
Mr. Ho Yin Sang ( <i>Note</i> )	Beneficial owner/ Interest of spouse	9,448,000
Ms. Cheung Wai Lin, Stephanie	Beneficial owner	5,620,000
Mr. Cheung Ka Shing	Beneficial owner	6,128,000

*Note:* Out of the 9,448,000 Share Options, 4,620,000 Share Options were held by Mr. Ho Yin Sang and 4,828,000 Share Options were held by his spouse.

**(c) Ordinary shares of HK\$0.10 each (“KLHL Shares”) in KLHL, a non-wholly owned subsidiary of the Company**

Name of Director	Capacity	Number of issued KLHL Shares held	Approximate percentage of the issued share capital of KLHL (%)
Mr. Cheung Kwok Wing	Beneficial owner	1,043,000	0.034
Mr. Chang Wing Yiu ( <i>Note</i> )	Beneficial owner/ Interest of spouse	9,200,000	0.299
Mr. Ho Yin Sang	Interest of spouse	1,043,000	0.034
Mr. Cheung Ka Shing	Beneficial owner	379,000	0.012
Mr. Cheung Kwong Kwan	Beneficial owner	4,000,000	0.130
Mr. Leung Tai Chiu	Beneficial owner	78,000	0.003

*Note:* Out of the 9,200,000 shares, 7,500,000 shares were held by Mr. Chang Wing Yiu and 1,700,000 shares were held by his spouse.



**(d) Non-voting deferred shares of HK\$1 each in the share capital of Kingboard Laminates Limited, a non-wholly owned subsidiary of the Company**

Name of Director	Capacity	Number of non-voting deferred shares held (Note)
Mr. Cheung Kwok Wing	Beneficial owner	1,904,400
Mr. Chang Wing Yiu	Beneficial owner	423,200
Mr. Cheung Kwong Kwan	Beneficial owner	846,400
Mr. Ho Yin Sang	Beneficial owner	529,000

Note: None of the non-voting deferred shares of Kingboard Laminates Limited are held by the Group. Such deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of Kingboard Laminates Limited and have practically no rights to dividends or to participate in any distribution on winding up.

**(e) Ordinary shares (“EEIC Shares”) in the share capital of EEIC, a non-wholly owned subsidiary of the Company**

Name of Director	Capacity	Number of issued EEIC Shares held	Approximate percentage of the issued share capital of EEIC (%)
Mr. Cheung Kwok Wing	Beneficial owner	1,507,200	0.806
Mr. Chang Wing Yiu	Beneficial owner	486,600	0.260
Mr. Ho Yin Sang	Beneficial owner	486,600	0.260

**(f) Ordinary shares (“KBCF Shares”) of US\$0.10 each in the share capital of KBCF, a non-wholly owned subsidiary of the Company**

Name of Director	Capacity	Number of issued KBCF Shares held	Approximate percentage of the issued share capital of KBCF (%)
Mr. Ho Yin Sang	Interest of spouse	2,000	0.0002

Other than as disclosed above, as at 30 June 2017, the Company has not been notified of any other notifiable interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, as at 30 June 2017, shareholders who had interests or short positions in the shares or underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests disclosed above in respect of certain Directors, were as follows:

Name of shareholder	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company (%)
Hallgain Management Limited ("Hallgain") (Note)	Beneficial owner	405,000,700 (L)	39.00 (L)
FMR LLC	Investment manager	104,625,500 (L)	10.08 (L)
Fidelity Puritan Trust	Investment manager	84,134,000 (L)	8.10 (L)

(L) The letter "L" denotes a long position.

Note:

As at 30 June 2017: (i) no shareholder of Hallgain was entitled to exercise, or control the exercise of, directly or indirectly, one-third or more of the voting power at general meetings of Hallgain, and Hallgain and its directors were not accustomed to act in accordance with any shareholder's direction; and (ii) Mr. Cheung Kwok Wing, being a Director, was also a director of Hallgain.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2017 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Stock Exchange.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2017.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2017, save for the deviation that the independent non-executive Directors are not appointed for specific terms pursuant to Code A.4.1 of the CG Code. Notwithstanding the aforesaid deviation, all the Directors (including the independent non-executive Directors) are subject to retirement by rotation and re-election at the Company's annual general meetings, in accordance with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Following a specific enquiry, each Director has confirmed that he or she has complied with the required standards as set out in the Model Code and the code of conduct regarding director's securities transactions adopted by the Company throughout the six months ended 30 June 2017.

By Order of the Board  
**Kingboard Chemical Holdings Limited**  
**Cheung Kwok Wing**  
*Chairman*

Hong Kong, 18 August 2017

**Board of Directors:***Executive Directors*

Mr. Cheung Kwok Wing (*Chairman*)  
Mr. Chang Wing Yiu (*Managing Director*)  
Mr. Cheung Kwong Kwan  
Mr. Ho Yin Sang  
Ms. Cheung Wai Lin, Stephanie  
Mr. Cheung Ka Shing  
Mr. Chen Maosheng

*Independent Non-Executive Directors*

Mr. Cheung Ming Man  
Dr. Chong Kin Ki  
Mr. Leung Tai Chiu  
Mr. Chan Wing Kee



# 建滔地暖

# Top 10 大優點

石墨烯智能地板領導者  
The Leading Smart Graphene Floor-heating  
Excellences



極速升溫 發熱均勻

Fast warmed up with even temperature distribution



智能分區 獨立開關

Independent smart controls for multiple areas



遠程遙控 智慧生活

Intelligent smart control



優選實木 健康無憂

Premium selection on natural wooden flooring



節能環保 經濟省電

Efficiency use of energy and environmental friendly



上門安裝 省時省力

Door to door maintenance services



10級防水，5000v 耐壓，安全無憂

Safe application with Level 10 waterproof qualities and 5000v insulation resistance



極致纖薄 整體4cm厚度

Ultra slim with only 4cm thickness



紅外光波 理療保健

Infra-red emission with various health benefits

10年

10年保修 50年運行

Quality assurance with 10-years warranty and an average of 50-years life expectancy